

## Message Text

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21

ACTION EA-07

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R 260631Z APR 74

FM AMEMBASSY SEOUL

TO USDOC WASHDC

INFO SECSTATE WASHDC 3520

UNCLAS SEOUL 2669

USDOC

ATTN: T.J. JACKSON OIM/BIC

E.O. 11652: N/A

TAGS: BEXP, KS

SUBJECT: \$21 MILLION COTTON MILL FOR CHEIL SYNTHETIC

REF: SEOUL 2120

1. PLEASE PASS FOLLOWING MESSAGE TO HUGH BALLARD OF AMATEX AT TELEPHONE 803/242-9115.
2. RE YOUR INQUIRY OF APRIL 10, COMAOT CALLED APRIL 25 ON CHEIL WOOL DIRECTOR SUH DONG-GUM AND PROJECT OFFICER HYUN CHUK-NAM CONCERNING 60,000 COTTON SPINDLE MILL. CHEIL PRESIDENT LEE EUN-TAIK IS AWAY ON ROKG MISSION TO SAUDI ARABIA.
3. CHEIL OFFICIALS STATED THAT EPB HAS APPROVED TORAY LOAN OF \$21 MILLION FOR 60,000 SPINDLES AND 1,000 LOOMS ON CONDITION THAT L/C BE OPENED BY SEPTEMBER 5. ACCORDING TO THEM, LOAN CALLS FOR 10 PCT DOWN, TWO YEARS GRACE AFTER SIGNING, EIGHT YEARS TO REPAY AT 8 PERCENT INTEREST. WE UNDERSTAND FROM OFFICIAL SOURCES, HOWEVER, THAT INTEREST IS 8.5 PERCENT AND THAT LOAN WAS APPROVED MARCH 5.
4. CHEIL OFFICIALS SAID THAT SOURCING OF EQUIPMENT DEPENDS ON LOAN SOURCE. CHEIL HAS BEEN MARKING TIME ON PROJECT IN VIEW OF HIGH COST OF EQUIPMENT AND UNCERTAINTY OF TEXTILE

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MARKET, BUT WOULD PROBLBLY HAVE TO PROCEED BY SEPTEMBER 5.

UNTIL THAT TIME FIRM COULD CONSIDER DIFFERENT SOURCING BUT ONLY ON BASIS OF NEW LOAN PROPOSAL WHICH WILL HAVE TO MATCH OR BETTER TORAY LOAN. SEE REFTEL.

5. ON OTHER HAND, CHEIL OFFICIALS RECONGNIZE PREVALENCE OF HIGH INTEREST RATES, AND INDICATED THAT THEY COULD ACCEPT RATE UP TO 10 PERCENT. REAL ISSUE IS PERIOD OF LOAN WHICH SHOULD BE 10.5 YEARS, INCLUDING GRACE PERIOD.

6. AS CLARIFICATION OF REFTEL, THERE WILL BE NO TORAY EQUITY IN COTTON MILL WHICH, HOWEVER, IS GOING TO BE PART OF CHEIL SYNTHETIC WHICH IN TURN IS 50/50 VENTURE BETWEEN TORAY AND CHEIL WOOL.

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